

Analysis on Enforcement of Intellectual
Property Rights
related to Technological Standards
under East Asian Laws and EU Law

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Table of Contents

- I. Introduction:
 - EU law understanding's influence to Japan, Korea and China after Apple vs. Samsung cases
- II. Situation on Japanese Anti-monopoly Act
 - 1. Introduction
 - 2. Insider, Outsider and Ambush situations
 - 3. Anti-competitive effect caused by IP rights enforcement against use of standardized technology
 - 4. Overview of Japanese AMA
 - 5. Japanese Cases
 - 6. Japan FTC guidelines
- III. Situation on EU competition law
 - 1. Introduction
 - 2. Overview of EU competition law
 - 3. EU Cases on tangible assets
 - 4. EU Cases on IP rights
- IV. Impact of legal cases after the Apple vs. Samsung to the East Asia Laws and guidelines
 - 1. Situation in Japan after the cases
 - 2. Situation in Korea after the cases
 - 3. Situation in China after the cases
- V. Conclusion : Analysis and Perspective

Preface

This book is sincerely dedicated to my wife, daughter, tutors, supervisors, scholar & lawyer friends, and all other people who kindly support my research work.

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I. Introduction: EU law understanding's influence to Japan , Korea and China after Apple vs. Samsung cases

In response to a series of litigations and judgements regarding Intellectual Property Rights (hereinafter “IPR”) enforcement and its restriction in the information technology (IT) industry, such as Apple vs. Samsung cases and other standard technology related cases in the major countries, currently Japan, Korea and China governments are intensively working on announcement of new guidelines and report proposals of their IP laws, competition law and/or civil law system.

More precisely, in response to the series of decisions and judgements, in the multiple major jurisdictions, on the later Apple vs. Samsung cases from 2011 to 2014, which was involving enforcement of technological standard IPR and concluded with Samsung's refrain from claiming injunctive relief based on its standard essential patents (SEPs) with Fair, Reasonable and Non-discriminatory (FRAND) license declaration in the EU jurisdiction¹, the East Asian countries has interpreted and incorporated those European approaches into their legal system in the context of restriction on technological standard IPR enforcement in general.

As a result of the Japan IP High Court judgement in Apple vs. Samsung case, Japan government prepared their new guidelines on the restriction on IPR enforcement regarding FRAND declared situation. Also, the government are preparing its proposal on proper calculation of royalty

¹ See European Commission, Press release “*Antitrust: Commission accepts legally binding commitments by Samsung Electronics on standard essential patent injunctions*”, IP/14/490, (29 April 2014), European Commission, “*MEMO:Antitrust decisions on standard essential patents (SEPs) - Motorola Mobility and Samsung Electronics - Frequently asked questions*”, MEMO/14/322, (29 April 2014), and others

rate on IPR enforcement.

Korea government had prepared the new guidelines for restriction on IP enforcement in view of anti-unfair competition in accordance with its related standard technology cases. Several concerns on the new guideline in terms of standard technology IPR regulation should be clearly noted especially in view of global IT industry's future innovation and interest.

In addition, the current trend in China, and Taiwan, should be also pointed out. China government has been announcing multiple guidelines and guideline drafts, through several government agencies such as State Administration for Industry and Commerce of the People's Republic of China (SAIC) and National Development and Reform Commission (NDRC), on IP restriction and standard technology IPR regulation. Also, some issues regarding standard technology IPR regulation can be set out in terms of possible disincentive to future innovation and R&D investment in the global IT market. Also, it should be remarked that Taiwan government has lately provided their reformed anti-unfair competition legislation.

This paper will introduce the current situation in Japan, Korea and China, and provide the analysis on mutual influence among those countries' guidelines on the possible restriction against de-facto standard technology IPR enforcement, along with their original and unique possible interpretations of the European essential facility doctrine in the context of restriction on IPR enforcement.

II. Situation under Japanese AMA

This chapter will consider the current legal approach under Japanese Anti-Monopoly Act (hereinafter “AMA”) regarding the regulation on refusal to license for IP rights incorporated in standardized technology.

1. Introduction

Refusal to license for IP rights incorporated in standardized technology can cause a serious restriction on competition in the market. Especially, there exist network effects among users of product employing the standardized technology. In this case, while AMA’s intervention in the refusal is required in order to protect the market competition, the intervention’s negative result to incentive for technological innovation should be carefully considered. On the other hand, Japanese AMA has its unique regulation, Unfair Trade Practice regulation, which allows interventionist approach. Careful assessment of criteria for AMA’s intervention in refusal of license would be expected in light of achieving a balance between protection of competition and promotion of innovation.

In order to clarify the criteria of intervention under Japanese AMA, this chapter will clarify the typical situations, Insider, Outsider and Ambush situations, of refusal of license related to standards and the related anti-competitive effect in the market. Then this chapter will examine the abstract of regulation under AMA and examine the details of criteria for AMA’s intervention in refusal of license. Finally, this chapter also will analyze Japan Fair Trade Commission (hereinafter “JFTC”) and high court cases in order to examine the further precise criteria of intervention in each case.

2. Insider, Outsider and Ambush situations

A refusal of license for IP rights incorporated in standardized technology can be categorized in several situations such as so called Insider, Outsider or Ambush cases. Insider and Outsider cases are mainly discussed in terms of de-jure standards or forum standards which involves a formulated standardized process in standard setting organizations or forum activities. On the other hand, an Ambush case is normally argued in relation to de-dacto standard which is formed through market competition as opposed to formulated standardized process².

2-1. Overall

2-1-1. Issues on de-jure or forum standard: Insider and Outsider situations

a) Insider situation

Insider situations can be found in the following case.

In standard setting process, at first the Standard Setting Organization (hereinafter “SSO”) is established by entities which hold related technologies and IP rights essential for manufacturing subject products. Those entities normally join the SSO as members of the organization and declare their IP rights to other members as essential IP rights. After the confirmation of essentiality of their IP rights for manufacturing products, the SSO members clarify their license terms for the essential IP rights to

² See Japan FTC, “Guidelines for the Use of Intellectual Property under the Antimonopoly Act” 28 Sep 2007, Part 3. ‘Viewpoints from Private Monopolization and Unreasonable Restraint of Trade’ & Part 4. “Viewpoints from Unfair Trade Practices” (hereinafter referred as “JFTC IP Guidelines”).

other members. Typical terms in this case are normally so called Fair, Reasonable and Non-discriminatory (FRAND) terms or a variation of FRAND terms.

In the course of this clarification, members normally make signature for a testimony, which describes rights holder's will to grant a license under FRAND or other license terms.

However, in some cases it happens that rights holders offer license terms which are not in compliance with FRAND terms, a typical case being the offering of an excessively high amount of royalty, or that assignees of the IP rights insist that it should be not be bound to FRAND terms.

b) Outsider situation

A typical Outsider situation can be created through the following sequence.

In standards setting process, while SSO is established by those entities which hold related technologies and IP rights essential for manufacturing subject products, some entities holding those essential IP rights choose not to join the SSO as members of organization and conceal existence of their IP rights. Under this situation, after the widespread dissemination of the standardized technology, those entities (so called "Outsiders") can enforce their IP rights to the members of the SSO which exploit the standardized technology for the manufacture of their product.

Furthermore, in some cases Outsiders can use their influence, directly or indirectly, for employing their IP rights as essential technology for standardized technology. For example, Outsiders may manipulate SSO members to induce standardized technology to incorporate its IP rights.

2-1-2. Issues on de-dacto standard: Ambush situation

The Ambush situation can be found in the following case. In the course of forming technological standards in the market, one major de-dacto standard can be formed through market competition.

Under this situation, IP rights holders may intentionally wait for the widespread adoption of products complying with the technological standard incorporating their IP rights and user's lock-in to this technological standard. After this widespread adoption of technology has taken place, the rights holders can then enforce its IP rights against the manufacturers, distributors or end users of products incorporating the standardized technology for the purpose of obtaining excessive licensing fees.

2-2. Summary

As considered in the above, the typical situations of refusal to license can be categorized in the three situations in accordance with a nature of standard setting process. The next section will explain the anti-competition aspect of result to license in each situation.

3. Anti-competitive effect caused by IP rights enforcement against use of standardized technology

The anti-competitive effects caused by refusal to license in Insider, Outsider or Ambush situation can be triggered as follows. It should be noted that, while most of Insider situation involves some exceptional conduct in a process in a standardization process, Outsider and Ambush situations normally do not involve such exceptional conducts.

3-1. Uniqueness of IP rights enforcement to standardized technology

a) Effect of enforcement of IP rights : Insider or Outsider situation

In a situation of de-jure or forum standards, SSO members can normally rely upon the rights holder's statement of FRAND terms. As a result, when other SSO members cannot obtain a license from a rights holder, those members have to withdraw from the market.

This then means that SSO members cannot recover their investment through the revenue from the market. Accordingly, SSO members have no choice but to accept those rights holder's offer, even if it is not complying with FRAND terms, in order to recover their investment through their market activities. The royalties for IP rights license under this situation can be higher than royalties agreed under normal situations due to SSO member's lock-in situation.³

b) Effect of enforcement of IP rights: Ambush situation

In the de-dacto standard case, IP rights enforcement strategy can give rights holder a superior bargaining position because of the user's lock-in to a certain technological standard and thus result in excessive income from those IP rights.

More precisely, the end users relying on a widespread technological standard in the product market can be locked-in to the product due to the network effects existing among end users. And manufacturers of the product may make an investment for procurement of the product. Under this situation, if a rights holder were to enforce its IP rights upon those manufacturers after waiting for a widespread dissemination of the product and then require the payment of excessively high amounts of royalties,

³ Takigawa, *High-tech sangyou no chitekizaisannken to dokukinnhou [Intellectual Property Rights and Antimonopoly Act in IT market]*, (Tsushousangyou Chousakai, 2000), pp.162-166 (hereinafter referred as "Takigawa"), See also Shapiro & Varian, *Information Rules*, (Harvard Business School Press, 1998) pp.175-186 (hereinafter referred as "Shapiro & Varian")